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Quarterly Newsletter
3rd Quarter 2016

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Do I Need to Buy Rental Car Insurance?

A reoccurring question I get is, "I'm taking the family on a trip and was wondering does my personal auto policy cover a rental vehicle?" While each insurance company varies a little, generally speaking that answer is the same. Let's take a look at coverage, where the confusion lies and when the rental company coverage makes sense.

What the rental company does not tell you when they're giving you the hard sell on their insurance protection is that the coverage they're selling you is secondary coverage to your personal auto policy and may in fact be nothing more than a duplicate. Additionally, many credit card companies (Visa, MasterCard, Discover, Amex) fill in the coverage gaps or can even provide secondary coverage.   Some credit card companies will provide primary coverage if you call and request it, keeping any claims you do incur off your auto policy. So why the hard sell and why would you ever buy the rental coverage?

A vast majority of the confusion when standing at the counter is the difference in terminology. The rental company refers to a

Collision/Loss Damage Waiver (sometimes called CDW, LDW, or simply DW) like it's insurance, but it's technically a "waiver," or an agreement not to pursue you if you damage their vehicle. Damage waivers vary, but they all typically have exclusions for driving outside an agreed area or driving while impaired. If you don't have comprehensive or collision on your personal auto policy, have high auto deductibles, or simply want to keep an accident off your record, you may want to consider this waiver.

Supplemental Liability Protection is a specified coverage amount, often $1,000,000, that protects you if you're responsible for damage to somebody else's vehicle or property. Your personal policy is limited to a maximum of $500,000 (usually less) unless you have elected to purchase an umbrella, so if you feel like you are under insured while driving a strange vehicle in a strange city, this supplement may be something you want to consider.

Personal Effects Insurance/Coverage typically covers your valuables if they're stolen from your rental vehicle or damaged in a collision. Your personal auto policy won't cover your personal effects that's the responsibility of your homeowner's insurance and is subject to that deductible. If you don't have homeowner's/renters insurance, have a high Homeowners deductible (average is roughly $1,500) or simply want to keep a claim off your record, this coverage may be something you want to consider.

Personal Accident Insurance covers injuries or accidental death while in the rented vehicle and may extend to other drivers or family members riding in the vehicle. Your existing health insurance may duplicate this coverage. If you are uninsured or have a high deductible/high out of pocket maximums, this coverage is something you may want to consider. Finally, as previously mentioned, many credit card companies offer secondary insurance or even primary coverage, if you rent a vehicle using their card. Secondary insurance might help you pay for deductibles, coverage gaps, rental company loss of use charges, or damages exceeding your primary insurance coverage. There's really no standard card coverage, so call your card issuer to talk through all of your protection options.

The obvious reasons to purchase the rental insurance is to protect yourself against coverage you either don't have, or that really won't pay due to high deductibles. Another consideration is keeping a rental claim off your record which would inevitably result in a premium increase. All of that said, the rental coverages are usually expensive and the cheapest easiest way to go is to go with what you have. If you don't have adequate limits, consider a coverage increase even if its temporary and call that credit card company to better understand your rental coverage options. All of this may be much ado about nothing if you have the right coverage offering primary coverage for little to no cost.

So the next time you're ready to hit the road with the family in tow, let us know what questions you have. While your current policies likely cover your exposure there are always reasons to consider the alternatives.

ACE/Chubb	Companion Life	Liberty Mutual	SFM
Assurant	Delta Dental	Lloyds of London	Spirit Dental
Avesis	EMC	Medica	Standard
Berkley Risk	Encompas	MetLife	Sun Life
BCBS	Guardian	MJUA	Travelers
CNA	Hanover	OneBeacon	UNUM
CNA HealthPro	Harleysville	Philadelphia	United Fire
CNA Surety	Hartford	Progressive	Western National

"Medicare for all"; it may not be what you think...

In this season of politics, we have heard a few candidates pitch their health insurance remedy by saying we need "Medicare for all!" That seems like an easy solution to many voters because Medicare is a good deal for seniors and others who qualify, so why not just provide that for everyone? Bryan Dowd, a professor in the Division of Health Policy and Management in the School of Public Health at the University of Minnesota, wrote an article published in the Star Tribune on Tuesday August 2, 2016, which addresses this concept. I thought it was right on, dealing with the misleading messages we are hearing from proponents of this plan. Getting rid of the "greedy" insurance companies sounds great, except they are also the administrators of many of the Medicare plans. Dowd says "so the first thing to realize about "Medicare for all" is if we're talking about real-world Medicare, implementation of "Medicare for all" would greatly expand the role of private health insurance in the Medicare program. The second thing to realize is that traditional FFS (fee for service) Medicare is a "public option" offered alongside private health insurance options similar to Hillary Clinton's proposal for a public option in the health insurance "exchanges" or insurance pools established under the Affordable Care Act (ACA), otherwise known as Obamacare." Dowd goes on to say "Medicare for all" is not real-world Medicare at all, but a single payer, nationalized health insurance system that is entirely organized and administered by the federal government. The irony of Democrats supporting such a proposal is that it turns out not to be very democratic. In fact, when you look at current enrollment trends in the real-world Medicare program with its public option, imposition of a single-payer system looks somewhat totalitarian."

Medicare Advantage (MA) plans are administered by private insurance companies that Medicare approves, and must follow rules set by Medicare. Medicare pays a fixed amount for the member's coverage to the insurer. Since the implementation of ACA in 2010, Congress has been cutting payments to private MA plans, to help fund the initial stages of ACA. This was partly justified as some geographic areas of the Country were receiving substantially higher payments proportionately than others. Dowd goes on to say "the odd thing is that despite the annual payment cuts to MA plans, the proportion of Medicare beneficiaries choosing MA plans has continued to increase, now reaching almost one-third of all beneficiaries". There are several theories on why this is, the biggest wanting to fill in the cost-sharing gaps, but the bottom line is that beneficiaries would rather have choices. Beneficiaries continue to choose private health plans over the government plan in Medicare, and advocates of the single-payer system don't clarify that choices of plans will go away.

"So the bottom line is that all of us have some policy choices to make, but the menu is not infinite. You can be in favor of "Medicare for all" or you can be in favor of a single-payer system, but you can't be in favor of both. You can be in favor of "freedom of choice" between public and private health plans or you can be in favor of a single-payer system, but you can't be in favor of both. You can be in favor of social justice or you can be in favor of generous government benefits for yourself, financed by people who can't possibly object because they haven't been born yet, but you can't be in favor of both. You certainly can be in favor of adding a public option to the Affordable Care Act's exchanges, but if you're up to speed on the peer-reviewed literature regarding our closest existing analogy, the real-world Medicare program, you should expect the public option's market share gradually to be eroded by the private health plans that appear to be more adept at providing consumers what they want."

Quarterly Quote:

"Life begins at the end of your comfort zone."

-Neale Donald Walsch

BREXIT, EXITera

Like many, my memories instinctively flash back to 2008's banking collapse of Lehman Brothers...and the poor economy & market returns that ensued the years thereafter. Indeed from the news I've seen today, many reporters are asking if this is a similar situation or catalyst event that may be the start of a similar outcome?
Well, of course I don't have a definitive answer to this....as no one does. Yet, much is different from BREXIT and the present global economic situation versus what happened in 2008:

- 1st -   Origins: 2008's banking collapse was brought on by many years of over-exuberance and leverage specifically in housing markets. Banks that over leveraged themselves began to fall in an un-orderly fashion (i.e. bankruptcies), and the last resort backstop was central governments (central banks) to prop up the remaining banks that were considered too big to fail.
  Today, the banking systems (US and elsewhere) have been reviewed, and in many ways further regulated to ensure that they are capitalized much better then in 2008. Also, the BREXIT vote was a known date that the banks, markets saw coming for some time. While it was still a surprise outcome, preparations for contingencies were in place.
- 2nd - Size and Scope: 2008's housing / banking collapse was a sector/industry collapse that permeated around the globe and into other sectors of all economies. Combined, the impact of all related areas to housing accounted for almost 20% of our GDP pre-crisis of 2008.

BREXIT, at present, is mainly about Great Britain's economy, and its relationships within the European Union. For perspective, all of the European Union is < 20% of the worlds GDP, and the United Kingdom is approximately 18% of the EU total.

Further, we are not talking about these economies going into obvious decline / recession, but rather going through a "divorce"....or separation. While this is stressful for those involved (and those around them), it does not automatically mean things will end badly. In fact, there is plenty to motivate both sides of this divorce to behave well - as they need each other going forward. Great Britain is the largest importer to many of the EU member countries, while the EU members have lots of people and investment located inside GB who doesn't want to see abrupt departures. This is not to say there won't be some tough days ahead for the markets. Much of the details of BREXIT needs to get processed, and while there is time (2 years for the departure process), stock markets do not like uncertainty...and as this process is the 1st of its kind (GB is first member to leave EU), it is laced with uncertainty. Yet, like many uncomfortable events, try to keep a couple of things in mind:

1) This too will pass
2) It is smaller than what the news is making it out to be.
3) Media makes money by getting "eyeballs" (you to watch, read, listen)...
4) Fear is the strongest emotion.

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Did You Know?

Lightning strikes about 6,000 times per minute on this planet.

-Robert Britt / The Science of Lightning

The Beginning of the End for ACA

I have been offering updates for several years now on the consequences of and changes to Obama Care, officially called the Affordable Care Act of March 23, 2010. I will continue this process until we likely reach the end of this maligned law. What a dichotomy the use of Affordable is in this case. Calling one of the most costly pieces of legislation in our country's history "Affordable" is almost laughable, only this is no laughing matter. The designers of the Affordable Care Act (ACA) knew that the cost burden for this program would be significant and also knew that they wanted to create a scenario where the haves would pay for the cost of medical insurance for the have-nots. Most would accept that as noble, but what the designers didn't share is what the program would cost us all to accomplish this. At the onset, ACA would subsidize the huge financial losses experienced by the participating insurance companies in the first few years of its implementation, with our tax dollars. In addition, there would be various penalties, later defined by Justice Roberts of the Supreme Court as "taxes". There would be the cost of creating a National Exchange with it's repeated software blunders that basically under-performed and over-spent in running its operation. Medical device companies were ordered to pay a tax on sales of 5%, which raised the cost of those devices. There was to be a Cadillac Tax for plans offering benefits richer (e.g.Union plans) than the founders of this law felt was appropriate. Currently there is a premium tax on individual and group health plans which raises the cost of your plan 2.8%. These are only a sampling of the many costs involved in ACA. Also, keep in mind many costly elements of ACA have been delayed in their implementation due to unpopularity, so if the law survives, we can look forward to more additional costs. What are the consequences of all of this? It is anticipated that the next President and Congress will have to budget enormous sums in order to subsidize a program that is supposed to be successful at this stage and clearly is not. Not only that, but they will need to edit the law in such a way to prevent future total failure. Individual insurance in Minnesota has gone up on average of 50% each year for the past 2 years. What was thought to be an anticipated savings over time, (Obama said $2500 per family), has almost bankrupt the average individual insured. Not only are premiums going up, but a $3500 to $5000 deductible is common place now. So, not only do you pay more for the insurance, but you pay allot more to use it.

There are very few experts, if any, that feel that this law will last over time. Most feel, including the political party that created this law, that they will need to move toward national health care because ACA has basically destroyed our former health insurance system. Imagine the only two health programs our national government has run is Medicare (and only partially) and the Veterans Health Program. Neither would get high marks on managing costs and efficiency, as with most large government programs. In fact, the VA that was created in 1930 has never received high grades from most service members for timely patient care. Quality of care has even been sporadic. So that is our dilemma, do we rescind ACA and replace it with a system with greater choice, competition, and efficiency, or replace it with a Government option better known as the Single Payer System or National Health Care. Ask your Canadian friends if they like their health system. Many frustrated Canadians come to the United States when their system doesn't deliver. In fact, Canada sends high-risk prenatal patients to Seattle Washington for care, and even pays for it, because it is cheaper than creating high-risk prenatal care in Canada.

My sense is that we are stuck in a quagmire. Unless the political divide in Washington, and even at the local level turns around, the compromise that's necessary to solve our health care problems is unattainable. The citizens of this country need to voice their opinions because we have a crisis going on with health insurance. Of course voting has a way of turning politician's heads, but will Washington understand that political parties aren't what matters, but that it is the health and happiness of the country's citizens that's important. Will our leaders continue to be ideologues that are rigid and inflexible? Unfortunately, I see nothing in the near future that leads me to believe there is change coming. I hope I am wrong.

Insurance Products

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Umbrella	Homeowners	Individual Health
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